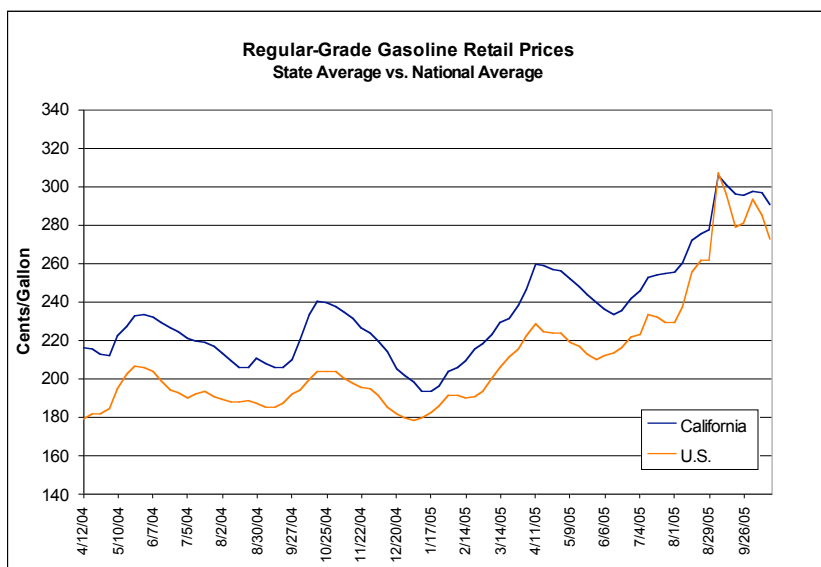
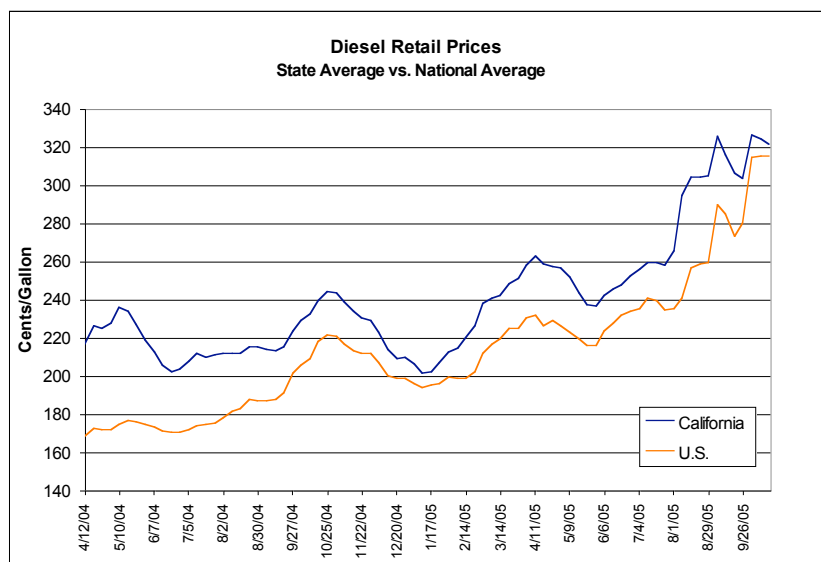


Retail Gasoline and Diesel Prices

- The average statewide retail price for regular gasoline fell 6 cents from the previous week to \$2.90 per gallon as of October 17. However, the difference between U.S. and California retail prices grew, increasing to almost 18 cents per gallon from 12 cents last week as retail prices in the eastern U.S. settled down following Hurricane Rita. The average difference during 2005 has been just over 20 cents.¹



- Average California retail diesel prices fell 3 cents from the previous week to \$3.21 per gallon as of October 17. The difference between U.S. and California retail diesel prices continued to narrow to just 6 cents per gallon compared to 9 cents the previous week and almost 24 cents averaged over 2005 to date.

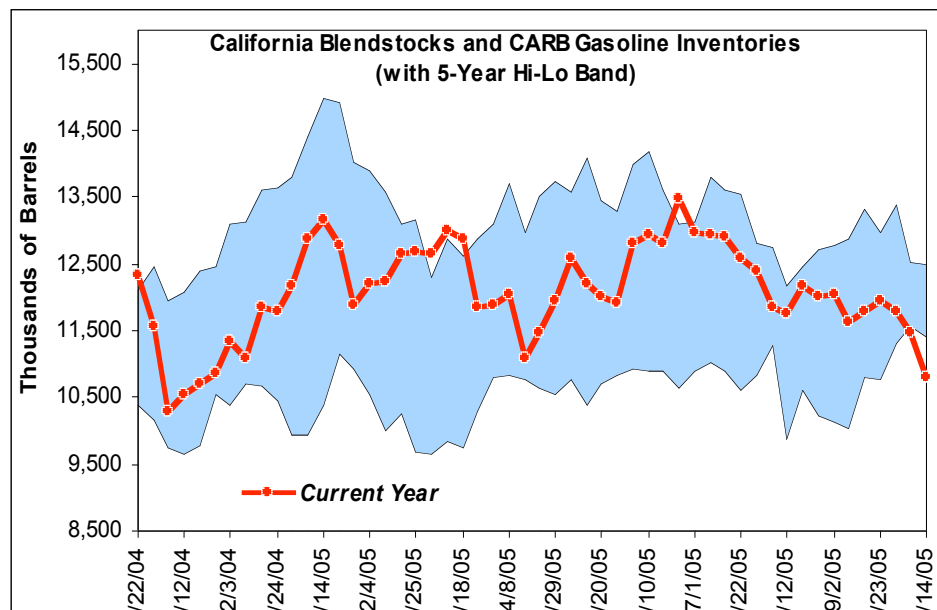
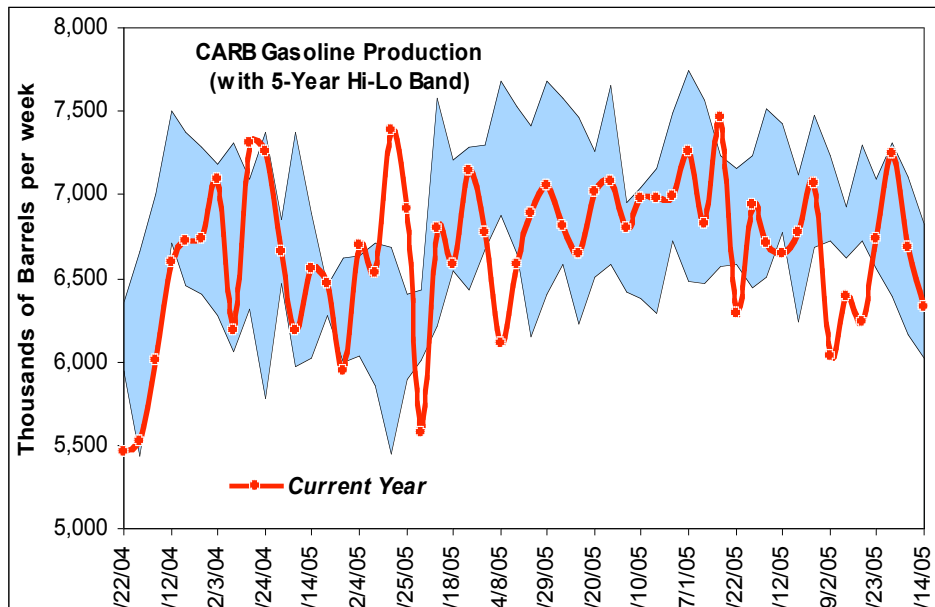


Wholesale Gasoline and Diesel Prices

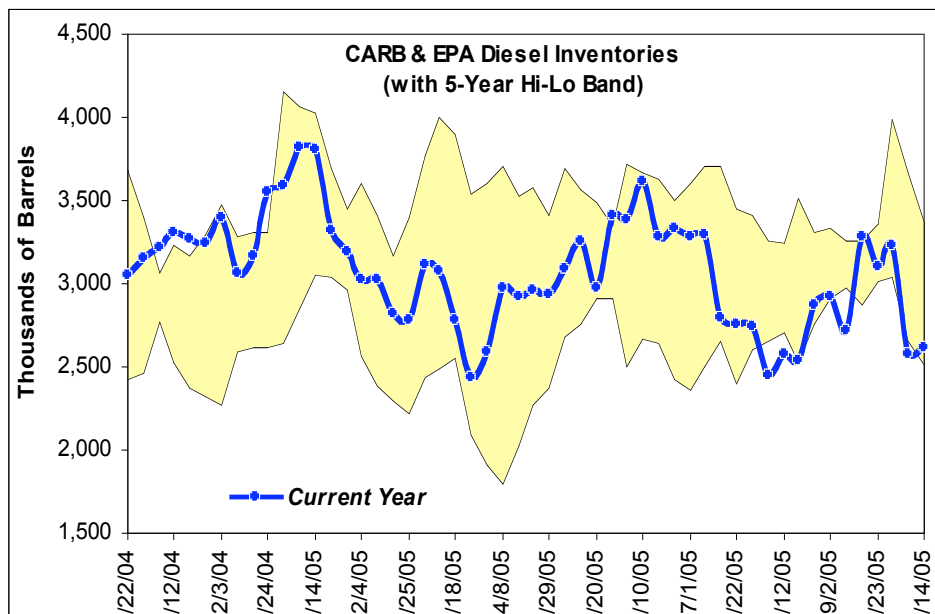
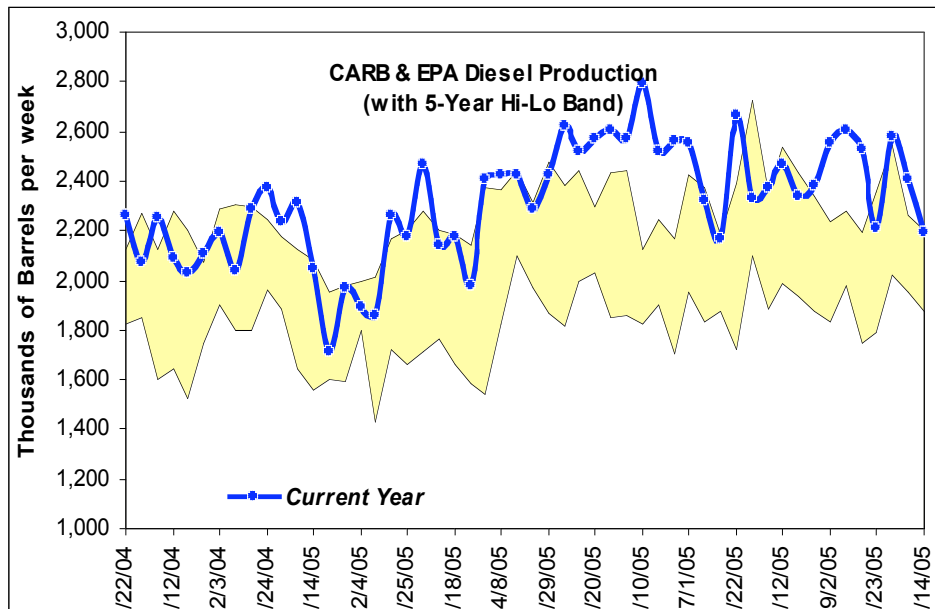
- The decline of California wholesale spot gasoline prices over the last 3 weeks was interrupted by the threat of a new hurricane, Hurricane Wilma. Prices in Los Angeles had fallen to \$1.92 per gallon by October 14, 48 cents below the post-Hurricane Rita high of \$2.40, before jumping 6 cents on October 17. The next day, following reports that Hurricane Wilma would miss Gulf of Mexico oil production and refining centers, prices fell back 7 cents to \$1.91. California spot prices were about 15 cents more expensive than prices in the Gulf Coast as of October 18, about average for 2005 to date, but 5 cents less than the average regional difference prior to the hurricanes.
- Contrary to trends in gasoline, concerns about the adequacy of winter supplies of heating oil have kept diesel prices elevated, particularly in the Gulf Coast region. Compared to the volatility seen in the Gulf Coast region, California diesel prices have been fairly stable since Hurricane Rita, ranging between \$2.18 and \$2.38 per gallon from September 26 and October 18. As of October 18, spot diesel prices in Los Angeles were \$2.22. In contrast, diesel prices in the Gulf Coast have fluctuated through a range of almost a dollar, and were still \$2.56 per gallon on October 18, down 14 cents from the previous day, but 34 cents more than in California and 50 cents more than New York Harbor.
- The latest EIA weekly assessment shows U.S. gasoline demand at 8.96 million barrels per day, up 2 percent from the previous week but 2 percent below last year. U.S. distillate demand was down about 7 percent from last year.

Refinery Production and Inventories

- Of the 16 Gulf Coast refineries shut down at the approach of Hurricane Rita, only 2 remained closed on October 19. Added to the 3 refineries still shut down from Hurricane Katrina, total refining capacity off-line as of October 19 was almost 1.3 million barrels per day, or about 7.5 percent of total U.S. capacity.
- Reformulated gasoline production in California declined for the second week due to planned refinery maintenance and unplanned outages. Production during the week of October 14 fell 5 percent from the previous week to 6.3 million barrels. Although these levels were 5 percent above last year, output is in the lower end of the five-year range.²
- Erratic reformulated gasoline production levels during the last 4 months have brought inventories steadily down in California. As of October 14, reformulated gasoline stocks were 11 percent below the previous week and 26 percent below last year. Combined stocks of reformulated gasoline and gasoline blendstocks have declined below the five-year range, falling almost 6 percent from the previous week and down over 13 percent from last year. Surprisingly, given the loss of refinery production to hurricanes, U.S. reformulated gasoline stocks grew by 2.9 million barrels from the previous week to 195.7 million barrels, in part due to record imports.

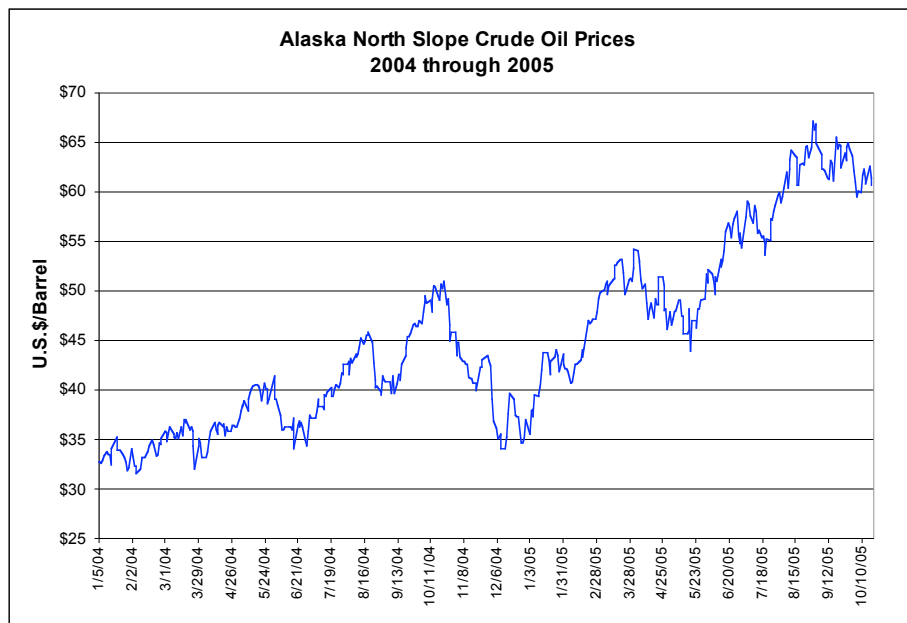


- California production of low sulfur diesel, including both California diesel and U.S. EPA diesel, declined 9 percent during the week of October 14 compared to the week before. However, this level of output is still at the upper end of the five-year range and is 8 percent above a year ago. Seasonal demand and lower production kept combined low-sulfur diesel inventories at the low end of the five-year range despite a small 1.4 percent increase over the previous week. At the same time, U.S. distillate inventories as of October 14 had fallen 1.9 million barrels from the previous week.



Crude Oil Prices and Inventories

- Crude oil prices continue to drift from the record highs of late August. Alaska North Slope crude oil, an important refinery feedstock for California, was priced at \$60.51 per barrel as of October 19.³



- U.S. commercial crude oil stockpiles totaled 312 million barrels as of October 14, a sharp increase of 5.6 million barrels from the previous week, 32.6 million barrels more than last year, and 25.3 million barrels over the 5-year average.
- World oil supplies have been strained due to U.S. hurricanes, low levels of excess oil production capacity worldwide, and almost three years of high worldwide petroleum demand growth. At the same time, supplies have been supported by the release of oil and petroleum products from the International Energy Agency member countries' strategic reserves, the virtual lifting of Organization of Petroleum Exporting Countries production limits, high crude oil inventory levels, and signs of softening demand for gasoline.
- According to the Minerals Management Service, as of October 19 about 65 percent of U.S. Gulf of Mexico offshore oil production, about 973,000 barrels per day, was still shut down from Hurricanes Katrina and Rita. Almost 63 million barrels of crude oil production have cumulatively been lost to these hurricanes over the last 2 months.

¹ Spot wholesale and retail gasoline and diesel prices are from the Energy Information Administration of the U.S. Department of Energy.

² California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

³ ANS crude oil prices are from the Wall Street Journal. U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.